



Cornell University
ILR School

Labor Research Review

Volume 1 | Number 9
Labor Tackles the Local Economy

Article 5

1986

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Saturn's Rings: What GM's Saturn Project Is Really About

Abstract

[Excerpt] In their listing of top news stories of 1985 in the economically depressed Youngstown-Warren area, local newspapers consistently listed "Saturn mania" near the top. In an effort to attract the Saturn project, the local community offered GM a sizable economic development package, organized a 100-car caravan to GM headquarters delivering 200,000 letters from local residents and school children, and bought billboard space and television time in Detroit.

This continuation of Saturn mania belies the belief that it was an essentially harmless exercise in corporate public relations. Rather, there is much evidence to suggest that throughout the Saturn campaign GM misled the public about its intention to build an inexpensive small car; diverted public and union attention from its plans for plant closings, technological displacement and the importing of cars from its foreign subsidiaries; forced additional concessions that have weakened the UAW; and shaped the public debate surrounding U.S. economic decline and future economic development.

Keywords

Saturn, General Motors, United Autoworkers, UAW, plant closings, labor movement, incentive pay, automotive industry, labor agreement

A black and white photograph of a group of approximately 12 children and two adults. They are arranged in two rows, holding a large banner. The background appears to be an office or classroom setting with papers and a desk. The banner has the words "WE WANT" in a bold, outlined, hand-drawn font.

WE WANT

Saturn

WE HAVE THE SPACE
FOR IT... ENJOY LET'S



EXPRESS MAIL 1. OFFICIAL
MAIL SERVICE

MAIL
NEXT
DAY
SERVICE

2

Business-Led Development

Saturn's Rings

What GM's Saturn Project Is Really About

■ *John Russo*

Mr. Roger B. Smith
President, General Motors
Detroit, Michigan 48202

Dear Mr. Smith:

I hope you will consider building the Saturn plant in the Mahoning Valley. I would like it to be here because it would make thousands of jobs and it will ease the 32.9% unemployment rate. Please do not rule us out because Lordstown is here. The Mahoning Valley is well suited for the Saturn plant. Some reasons are it is near transportation and resources and our people are willing to work and they work hard.

I hope your car beats the imports and brings many Americans a job.

Sincerely,
Alexander Russo
(age 10)

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- John Russo is Director of Labor Studies at Youngstown State University and the father of Alexander Russo.

In their listing of top news stories of 1985 in the economically depressed Youngstown-Warren area, local newspapers consistently listed "Saturn mania" near the top. In an effort to attract the Saturn project, the local community offered GM a sizable economic development package, organized a 100-car caravan to GM headquarters delivering 200,000 letters from local residents and school children, and bought billboard space and television time in Detroit.

This experience was repeated throughout the nation, as the Saturn Project became a *cause celebre*, with politicians and community leaders offering the world's largest industrial corporation tax abatements and exemptions, utility rate reductions, industrial revenue bonds, new highways and access routes, union free atmospheres, and free land and training.

Much of the public attention surrounding Saturn was lost with the July 1985 announcement that the plant would be located in Spring Hill, Tennessee. Yet, Saturn remains a hotly debated subject as state and local governments assess the reasons for GM's decision, as other corporations ask for "incentive packages" similar to those offered to GM, and as labor unions are asked to renegotiate labor contracts similar to the new GM-UAW Saturn agreement.

This continuation of Saturn mania belies the belief that it was an essentially harmless exercise in corporate public relations. Rather, there is much evidence to suggest that throughout the Saturn campaign GM misled the public about its intention to build an inexpensive small car; diverted public and union attention from its plans for plant closings, technological displacement and the importing of cars from its foreign subsidiaries; forced additional concessions that have weakened the UAW; and shaped the public debate surrounding U.S. economic decline and future economic development.

What Is Saturn?

The Saturn Project was sold to the nation as an attempt by GM to compete in the low cost, high mileage, subcompact car market, using the most modern technology, production techniques and labor-management relations. The inexpensive subcompact market has been totally dominated by GM's domestic and foreign competitors. This is largely the result of GM's past indifference to the subcompact market due to its low profit margin per car.

To indicate its seriousness, GM developed a subcompact prototype which figured prominently in GM's campaign to sell the Saturn Project. Using nationalistic advertising (the same people

who gave us "hot dogs, apple pie and Chevrolet"), GM presented the Saturn prototype as America's answer to "The Japanese Challenge." This public relations campaign was an unqualified success in generating name recognition and public interest and enthusiasm. But the media circus was a ruse, for GM knew all along that economics worked against exclusive production of an inexpensive small car at the Saturn site.

According to GM officials, for Saturn to be successful, it would have to attract 80% of its subcompact business from current non-GM buyers. This would be difficult in the subcompact market given the present level of product quality and the power of brand loyalty; with Japanese manufacturers increasing their exports and building their own U.S. assembly plants; with South Korean (Hyundai) and Yugoslavian (Yugo) producers introducing inexpensive small cars into the American market; and with the Spanish (SEAT), Czechs (Skoda Rapide), and Greeks (Desta) all entering the U.S. subcompact market in the next four years. At the same time, GM itself will be importing 431,000 small cars by 1987 from its foreign producers. GM owns 35% of Isuzu (Japan), 5.3% of Suzuki (Japan) and 50% of Daewoo (South Korea).

Given the increased domestic and foreign competition (including its own captive imports), the cost advantages of foreign production, and the continuing oil glut, it is unlikely that the small car market will expand enough or that GM will be able to attract enough non-GM buyers to justify new subcompact production facilities. This suggests that the Saturn (as a subcompact) must have a broader appeal than size and fuel economy or that something other than an inexpensive subcompact will be made at Spring Hill. The production target GM has set for Spring Hill provides a clue to its intentions.

According to the trade paper *AutoWeek*, GM is unlikely to meet its production target of 400,000 to 500,000 vehicles per year at the Spring Hill facility by making a single model. It is well known in auto circles that it is very difficult, if not impossible, to sell 300,000 of any one model, especially in the competitive subcompact market. (Only 32 domestic models out of some 80 on the U.S. market sold over 100,000 units and only 10 sold over 200,000 in 1984.)

Like other manufacturers, GM operates under certain economic assumptions in setting production targets. GM initially announced that Saturn would represent an initial capitalization of \$150 million and assets of \$5 billion. These costs of production must be amortized over the greatest production volume, and this can best be achieved using a modular construction system—the kind to be

used in the Saturn Project. In this form of construction, the functional portions of a car—such as the powertrains, dashboard assemblies, window mechanisms—are standardized, creating high-volume "platforms" which are modified into individual models. Chrysler has perfected modular construction in its production of its K-car fleet.

Given the production volume/amortization equation and the unlikely prospect of generating enough subcompact business, it is hard to believe that GM didn't know from the very first that it would have to build something other than a low-priced subcompact at Spring Hill.

Thus, it is not surprising that GM announced in early 1986 that it is considering building something other than a low-priced subcompact at the Saturn site. What is likely to result—and what GM probably intended from the first—is a new *line* of cars, using modular construction. Thus, the "Saturn" might be a high-priced subcompact, a compact or even a midsize car. Whatever the Spring Hill complex produces, it will compete in the more profitable markets where GM already has considerable capacity. Since new car sales have leveled off and are not predicted to grow dramatically in the future, this means GM will have to close some existing facilities.

Thus, the Saturn Project is likely to result in another wave of plant closings and additional requests for concessions from autoworkers, especially at the plant level, to "save their jobs." GM has already moved in this direction by announcing in the Spring of 1986 its plans to close four assembly plants by 1990. After reducing its workforce by 60,000 since 1980, it is likely that GM will be able to reduce employment levels still further under the Saturn banner. Given this accounting, there seems little reason for UAW members to be excited by the 6,000 "new jobs" in Tennessee.

If Saturn is not going to be an inexpensive small car geared to meet "The Japanese Challenge," is the Saturn Project just a promotional gimmick to divert attention from GM's plans to import cars, close existing facilities and reduce the workforce? The answer is surely no.

The Saturn Project is the core of GM's high-tech diversification plan into robots and computerized manufacturing and of its continuing effort to undermine the current collective bargaining agreement with the UAW.

The Saturn Project represents a substantial investment for GM. The complex in Spring Hill will be composed of five or six factories that will make engines, transmissions, metal stampings and plastic



Associated Press

Governors of six Midwest states tell Phil Donahue why General Motors should locate its Saturn plant in their state.

parts, which will be moved via computer control to a final assembly plant. To make the system work, GM must integrate new technology with a new labor relations system. While unconventional by U.S. manufacturing standards, the Saturn plan is nothing but an upscale replica of highly integrated Japanese production facilities, such as those at "Toyota City."

What is truly unique about the Saturn Project will be the *degree* of technological sophistication. Like many global corporations, GM believes that the best way to stay profitable is to reduce labor and production costs through the increased use of technology.

In the last few years, GM has dramatically increased the number of robots in its existing plants. Robots permit auto manufacturers increased flexibility over the present system of rigid and fixed technology. By merely changing operating programs, GM can use robots to adjust to various production constraints; expropriate worker skills far beyond traditional time and motion studies; reduce the need to meet workplace safety and pollution control; while reducing the number of people employed and increasing output.

But GM is not only committed to using robots. It wants to produce them. Given the cyclical nature of the auto industry and the prospects of new competition, the production of robots and new computerized manufacturing systems seems to be a favorable direction for diversification. GM President Roger Smith has stated

that the company hopes to generate \$5 billion to \$7 billion in annual revenues in this area by 1990. As some autoworkers have suggested, by 1995 GM might have to change its name to "General Robotics."

The Saturn plant is where GM's high-tech efforts all come together. What better testing ground and showroom for General Robotics than the Saturn facilities. Given GM's economic power and marketing sophistication, the Saturn Project will be the center of GM's diversification efforts and will serve as a primary model for U.S. manufacturing in the 1990s.

The Labor Agreement

The final piece of the Saturn puzzle is the labor agreement with the UAW. GM was emphatic that it would not build Saturn in the U.S. unless the UAW released it from the basic auto agreement. The UAW agreed to this form of economic blackmail and negotiated what it touted as a historic and innovative agreement.

The Saturn contract must be put in historical perspective. As late as 1979, the UAW was the premier industrial union. It was at the forefront of the fight for a four-day week, for increases in cost-of-living adjustments and managed reductions-in-force. Pattern bargaining in the auto industry resulted in UAW gains that were duplicated both intra- and inter-industry. But, like other unions, the UAW has lost bargaining power, declined in membership, found it difficult to organize new workers, and seen a decline in worker militancy. As a result, the UAW has been put on the defensive and has negotiated concession agreements that have gradually undermined the basis of pattern bargaining and placed wages and working conditions increasingly in competition.

The Saturn agreement is an extension of the UAW's concessionary bargaining. The agreement represents a wholesale departure from the traditional pattern bargaining that has been the basis of industrial unionism. Its basic features are as follows.

The new agreement creates a two-tiered workforce—Saturn Members and Associate Members. Associate Members will constitute 20% of the workforce and will not be covered by the job security provisions in the agreement.

The traditional concepts of seniority and job classifications have been largely discarded in favor of such concepts as merit, ability, job rotation and pay-for-knowledge. While this sounds principled and meritocratic, these concepts are vague and have frequently meant payoffs, favoritism and speedups. That is why seniority and job classification systems were developed.

Incentive pay is reintroduced into the auto industry after some 40 years. The basic salary of Saturn workers will be 80% of the basic auto wage. Incentive pay will be rewarded on the basis of performance objectives, productivity targets, quality bonuses and a profit-sharing plan. It should be remembered that dramatic productivity improvements over the past 30 years have been achieved in the auto industry without incentive programs. In fact, productivity gains in auto have far outstripped those in other manufacturing industries and have been the traditional basis for UAW claims for higher wages. Incentive pay may really be another form of wage-cutting.

Lastly, the Saturn agreement dramatically alters the structure and conduct of labor-management relations and union representation. The traditional shop steward system, which has been the foundation of industrial democracy and free trade unionism, has been superseded. Instead, a labor-management consensus system has been introduced that stresses mutual interests and enterprise unionism. Further, enterprise unionism can lead to local union competition, which undermines traditional industrial unionism and solidarity.

The new agreement has not been widely accepted by UAW members. Many autoworkers, including those at the GM Lordstown facility, feel the contract was unwarranted given the level of past concessions. Pete Kelly, a member of the UAW's National GM Negotiating Committee, has concluded that the agreement "contains all the elements to weaken our Union." Furthermore, many UAW members feel slighted by the UAW leadership because they were not given an opportunity to ratify the new agreement, as is normally the case. Many fear that the Saturn agreement will be extended to other settings.

Stung by criticism from within the union, the UAW leadership has argued that the Saturn agreement "is a special case, and not to be regarded as a precedent" that can be followed at other GM facilities. The UAW has argued that, similar to the first UAW Volkswagen Agreement, once the plant is operational, the Saturn contract can always be renegotiated to coincide with the basic GM-UAW pact. Unfortunately, GM President Roger Smith has simultaneously announced his intention to "Saturnize" other GM facilities. In fact, executives throughout the auto industry have announced their intentions to Saturnize.

How this Saturnizing process occurs can be seen by reviewing the present controversy over "new concepts" at GM's J-car assembly plants—Lordstown (Ohio), Leeds (Missouri) and Janesville (Wisconsin).

Coinciding with its announcement to close four existing assembly plants, GM this summer demanded that local agreements at its J-car facilities be reopened to include what are termed "new concepts"—proposals similar to those in the Saturn agreement. While the "new concepts" approach is GM's idea, the local unions feel compelled to go along in an attempt to achieve a measure of job security. In separate letters to their memberships justifying the reopening of their local agreements, shop chairmen Charles Johnson (at Leeds) and Al Alli (at Lordstown) have recounted what has happened to other local unions that were not interested in GM's "new concepts." Both mentioned the Arlington, Texas, plant that refused to reopen its contract and lost the new GM-10 project to the Doraville, Georgia, plant. Al Alli wrote:

Today, Doraville, Georgia has the GM-10 instead of Arlington, Texas. REASON: Doraville and their local leadership committed to a "new concept" agreement. . . . NOW THAT IT IS TOO LATE, ARLINGTON WANTS TO CHANGE!! WE DON'T WANT TO BECOME ANOTHER ARLINGTON, DO WE ??????

Given the real fear of reprisals by GM, the three locals have entered a competition among themselves to see which will accept the most "new concepts." Although the outcome is uncertain at this time, all three locals seem to be willing to engage in an internecine war. As Charles Johnson told his membership, he is obligated to act in the membership's best interest and "to do whatever was necessary to try to save this plant."

Throughout the auto industry, local union officials are asking for direction and wondering if the UAW International headquarters will permit the local union competition to continue. According to the UAW Constitution's Article 19 (Section 6), the International Executive Board is to protect local unions who have succeeded in establishing favorable working conditions and superior agreements from just such competition with local unions and plants doing similar work. The Executive Board has thus far been unwilling to invoke Article 19. Rather, it has chosen to rely on a new section in the 1984 GM-UAW agreement that permits changes and waivers of the national agreement with the approval of the International union and the corporation. Without the International's assistance, many local unionists now believe that they have few choices but to accept "new concepts." As one autoworker at Lordstown said, it's "be Saturnized or else."

Economic Decline & Development

The impact of the Saturn project goes beyond issues related to the economic assumptions, technology and labor agreement in the auto industry. Saturn has played a pivotal role in the national debate over U.S. economic decline and development by shaping public consciousness toward business, labor and the public good. To study this aspect, it is worthwhile rereading my son's letter for in it we can see how Saturn has shaped public perceptions.

The idea of children being asked by parents, teachers and community leaders to write to GM President Smith, begging for his intercession, is appalling. Yet, it was matched by an equally appalling display of groveling community and political leaders offering sacrificial gifts at the altar of the world's largest industrial corporation—all in the name of economic development. It made no difference that most of the development programs made little economic sense on a cost-benefit basis, or for that matter, whether GM needed them. What became important was boosterism and the appearance of the proper business and investment climate. Indeed, the Saturn Project became a mania that represents the political and psycho economics of fear and desperation brought on by economic decline. The disorder is spreading in several ways.

First, GM has attempted to build on the Saturn experience by initiating legal actions to reduce taxation at existing facilities. For example, in Delta Township (near Detroit) GM is attempting to roll back current property valuations by 55% in order to reduce



Associated Press

A caravan of Youngstown realtors and their families arrive at General Motors Technical Center in Warren, Michigan, to plead their case for the Saturn project.

its tax assessment.

Second, other corporations have been emboldened by GM's experience. As one businessman in Youngstown asked, why should we be treated any different than GM? Both new and existing businesses are now asking local communities to develop new incentives or to renegotiate tax assessments and valuations to assure their continued presence.

Third, there has been considerable "soul searching" about why some states and local communities failed to attract the Saturn project. For example, in a feature article entitled "What do businesses see in Tennessee?" in the *Cleveland Plain Dealer*, the article focused on the business climate and stressed such factors as location, weak union atmosphere, and a homogeneous workforce. (Homogeneous workforce was defined as "one in which the people are the same race and have similar values and backgrounds.")

Fourth, some states have taken criticisms leveled during the Saturn campaign to heart. For example, John M. Mutz, Lt. Governor of Indiana, boasted that Indiana had cost advantages over other midwestern states because its workers' compensation and unemployment compensation benefits are low. He bragged, "We rank 49th or 50th in cost to employers in almost any survey I've seen." Now, in Ohio, which experts agree has the best workers' compensation program in the nation, state representatives have passed bipartisan legislation which undermines the present law. One rationale prominently used to justify the change is the Saturn outcome.

Fifth, the Saturn offensive and subsequent examination of business climates has added to the current anti-union environment. For example, many states and communities are giving increased credibility to what are called manufacturing climate studies. In such studies, low unionization levels and right-to-work laws translate into higher scores. Coupled with frequent threats and actual plant closings, these help shape public attitudes toward labor unions.

Sixth, the Saturn affair has helped define to the public what constitutes proper union conduct. The focus on the change from adversarial to cooperative attitudes has caused more traditional, let alone militant, unionists to be seen as selfish, obstructionist and anti-business. At the same time, those unionists espousing cooperative principles and concessionary bargaining are seen as "enlightened and responsible" labor statesmen. This categorization tends to hold irrespective of the actual bargaining conditions or management motivation.

Seventh, the decision to locate Saturn in Tennessee has under-

mined organized labor's clout with politicians in midwestern states. According to Alfred Warren, GM vice president of labor relations, the UAW was forced to accept the Spring Hill location. He said, "I drove the UAW to Tennessee. . . . They didn't want to go there." But by relenting to Mr. Warren, the UAW rewarded right-to-work state politicians, such as Tennessee Governor Lamar Alexander. Governor Alexander has frequently and proudly described Tennessee as an "anti-union state." In many cases, midwestern politicians are now taking political heat for an unsuccessful Saturn bid. Consequently, midwestern politicians who have been largely sympathetic to organized labor in the past are now questioning their future support for labor's political agenda.

Finally, Saturn mania has had a chilling effect on the public discussion of the relationship between plant closings, unemployment and corporate deindustrialization. In the early 1980s, there existed a spirited national debate concerning the ethics and economics of plant shutdowns, including stinging criticisms of corporate policies. While courting the Saturn project, local business leaders often objected to this discussion of corporate behavior for fear that it may "send the wrong signal" to corporations. Consequently, in place of community discussion of economic development, there exists today in many communities only non-sequiturs and the rhetoric of boosterism, free enterprise, unprincipled cooperation, and the maintenance of the proper business climate.

Conclusion

The Saturn Project has become a potent ideological force and conservative influence on public opinion and the political economy, while at the same time diverting public attention from GM's plans to close additional plants, import subcompacts from subsidiaries, diversify into high technology, and force additional concessions from the UAW.

Overall, Saturn's influence on the public consciousness is indicative of just how easily global corporations can shape the national economic debate, using sophisticated public relations techniques along with a measure of old-fashioned economic blackmail. Built on the themes of nationalism, modernity, cooperation and technological determinism, Saturn has caught the collective imagination and has provided a vision of a better economic future if only corporations have their way. This is a Faustian bargain, yet one many communities will increasingly accept unless alternative visions of economic development are seen as attainable. ■